

**PUBLIC DISCLOSURE**

AUGUST 19, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MARLBOROUGH SAVINGS BANK

166 MAIN STREET  
MARLBOROUGH, MA 01752

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of MARLBOROUGH SAVINGS BANK prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

**INSTITUTION'S CRA RATING: This institution is rated " Satisfactory".**

Marlborough Savings Bank's CRA rating is based on the five performance criteria which are evaluated within the performance context.

The bank's net loan-to-deposit ratio has averaged 68.9 percent for the period September 30, 1997 to June 30, 1999 and is considered to "Meet the Standards for Satisfactory Performance".

A review of the bank's residential mortgage and home improvement loans from January 1, 1998, through year-to-date August 19, 1999, revealed that 73.4 percent of the number and 68.3 percent of the dollar amount of loans originated were extended within the bank's assessment area. This level is considered to be reasonable and "Meets the Standards for Satisfactory Performance".

A review of the bank's loans to borrowers of different income levels indicates a strong record of lending to borrowers of all income levels particularly to low and moderate-income individuals. Therefore, this category is considered to "Exceed the Standards for Satisfactory Performance".

The bank's assessment area contains no low-income and one moderate-income census tract. However, the distribution of loan originations is considered reasonable and "Meets the Standards for Satisfactory Performance".

No CRA-related complaints have been received since the last examination and the fair lending examination revealed no evidence of discriminatory acts or practices.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Marlborough Savings Bank is a mutually owned institution incorporated under the laws of the Commonwealth of Massachusetts in 1860. As of June 30 1999, the bank reported total assets of \$181,971,000. Of these assets \$115,485,000 or 63.5% represented the bank's loan portfolio.

The table below depicts Marlborough Savings Bank's loan portfolio composition as of the June 30, 1999 FDIC Call Report of Condition. As shown, the bank's loan portfolio is comprised mostly of 1-4 family residential loans (88.5%). The remainder of the portfolio consists of construction loans, multifamily loans, consumer loans, home equity loans, and commercial real estate loans.

<b>Loan Portfolio as of June 30, 1999</b>	
<b>Types of loans</b>	<b>% AVG GROSS LN&amp;LS</b>
Construction	1.0%
1 - 4 Family Residential	88.5%
Home Equity	2.3%
Multi-Family	3.0%
Commercial RE	0.9%
Commercial	0.0%
Agricultural Loans	0.0%
Credit Card	0.0%
Loans to Individuals	4.3%
Financial Institution Loans	0.0%
Municipal Loans	0.0%
Farmland	0.0%
Other	0.0%
<b>TOTAL LOANS</b>	<b>100.0%</b>

Source: Call Report June 30, 1999

The bank offers adjustable rate mortgages and 30 year fixed rate residential mortgages. Although the bank is approved to sell loans under the Fannie Mae guidelines, it continues to retain all mortgages originated in its loan portfolio.

Marlborough Savings Bank's main office is located at 166 Main Street in Marlborough, Massachusetts. The bank operates three other full service branch offices in Massachusetts located at 71 Boston Post Road, Marlborough; 6 East Main Street, Southborough; and 101 West Main Street, Northborough. A supermarket branch is tentatively scheduled to open in November of this year at Sudbury Farms in the Town of Sudbury. The bank maintains Automated Teller Machines (ATMs) at all four locations. Each ATM is linked to the NYCE and CIRRUS networks. Office hours are convenient and appear to be accessible to all segments of the assessment area.

Marlborough Savings Bank's competition consists of local banking institutions, credit unions, as well as a branch network of national banks, and a number of mortgage companies. The market influence from these entities appears to be significant, and as a result, serves to keep Marlborough Savings Bank's rates and services offered very competitive.

The bank was last examined for compliance with the Community Reinvestment Act by the Federal Deposit Insurance Corporation (FDIC) on August 3, 1998. That examination resulted in a CRA rating of "Satisfactory".

### **Description of Marlborough**

Located in eastern Massachusetts, the City of Marlborough is bordered by Hudson on the north, Sudbury and Framingham on the east, Southborough on the south, and Berlin and Northborough on the west. The city is 17 miles east of Worcester and 27 miles west of Boston. Marlborough has a progressive management, pro-business administration and well-maintained infrastructure that attract tourists and meeting planners for its hotels and range of function facilities. Among the major employers in Marlborough are Marlborough Hospital, 3 Com, Compaq Computer Corporation, Fidelity Investments, and Raytheon Company.

### **Description of Assessment Area**

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which its CRA performance will be evaluated.

Marlborough Savings Bank defines its assessment area as the City of Marlborough and the towns of Hudson and Southborough, all located in the Boston Metropolitan Statistical Area (MSA); and the town of Northborough, located in the Worcester MSA.

The median income for the Boston MSA was \$60,000 for 1998 and \$62,700 for 1999. The median income for the Worcester MSA for 1998 was \$51,000 and \$52,600 for 1999. Income figures were based on estimated 1998 and 1999 data from the Department of Housing and Urban Development (HUD).

Marlborough Savings Bank's assessment area contains 14 census tracts. Of this number 1 or 7.1% is designated as moderate-income; 6 or 42.9% are designated as middle-income; 6 or 42.9% are designated as upper-income; and 1 or 7.1% has no income designation. The moderate-income census tract is located in Marlborough. Housing information obtained from CRA Wiz Software, based upon the 1990 census, indicated that the bank's assessment area has a population of 67,485, with 26,231 housing units. Of the housing units, 63.41% are owner-occupied units, 34.1% are rental units, and 5.3% are vacant housing units. Further, the weighted average median value of a home was \$173,330, while the weighted average median family income was \$54,449. Also, according to the 1990 census data, 5.0% of the assessment area's households live below the poverty level, which falls below the statewide figure of 8.9%.

### ***Description of Aggregate Data Utilized***

For lending purposes only, aggregate institutions are comprised of 256 large and small mortgage companies, commercial banks, cooperative banks, and credit unions, which have either originated or purchased residential mortgage and/or home improvement loans within the bank's assessment area in 1997 (source: CRA Wiz Software). Those institutions which were ranked by market share within the top five for overall lending within Marlborough Savings Bank's assessment area include: St. Mary's Credit Union (5.21%), Hudson Savings Bank (5.18%), Countrywide Home Loans, Inc. (5.02%), Norwest Mortgage, Inc. (4.54%), and Peoples Heritage Savings Bank (3.99%). Marlborough Savings Bank ranked number six with a market share of 3.28%.

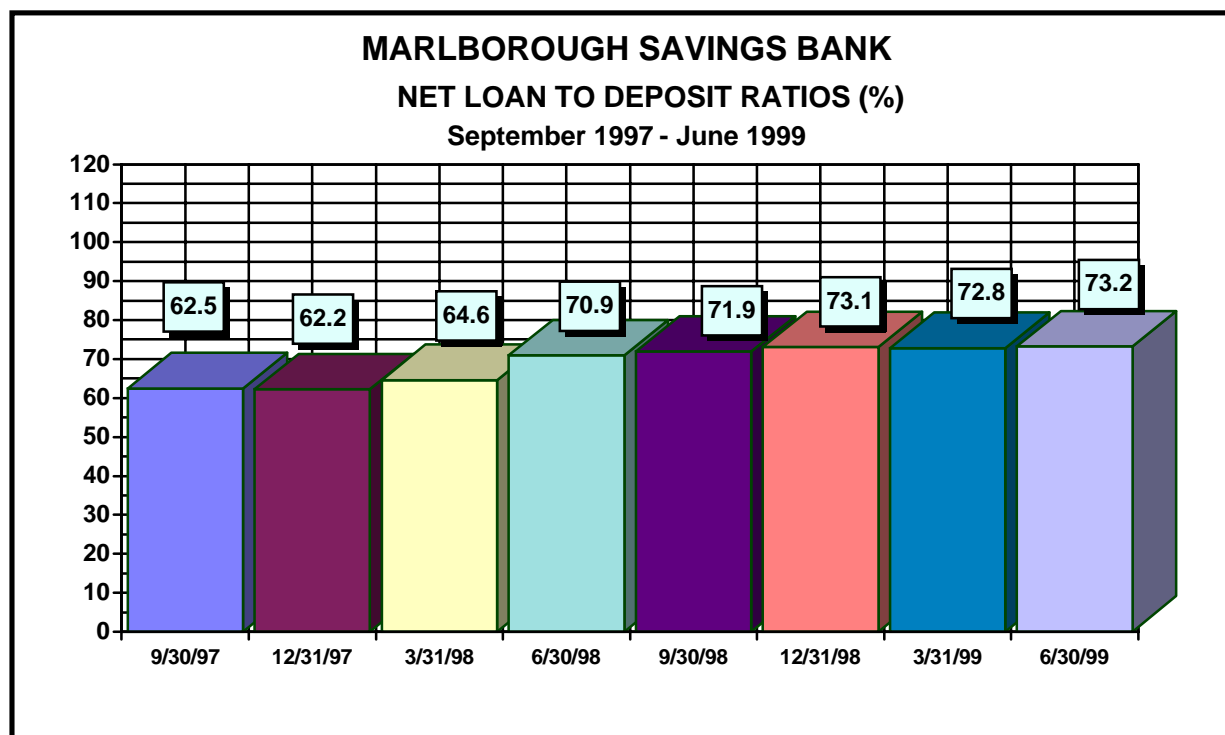
## **PERFORMANCE CRITERIA**

### **1. LOAN TO DEPOSIT ANALYSIS**

Based upon the following analysis, Marlborough Savings Bank's net loan to total deposit ratio appears to be reasonable and, as such is rated "Meets Standards for Satisfactory Performance".

An analysis of Marlborough Savings Bank's loan to deposit ratio was performed. The calculation incorporated eight quarters of the bank's net loans to total deposit figures as reflected in the bank's quarterly FDIC Call Reports. The quarters reviewed included the periods from September 30, 1997 through June 30, 1999. The bank's net loan to total deposit ratio, on average, was 68.9 percent. This ratio ranged from a low of 62.2 percent on December 31, 1997, to a high of 73.2 percent on June 30, 1999, depicting an improving trend in the bank's net loans to deposits ratios.

The following graph illustrates Marlborough Savings Bank's net loan to total deposit trends.



An analysis of the overall growth rate in net loans and total deposits indicated that over the period reflected in the graph, Marlborough Savings Bank's net loan portfolio increased by 41.1 percent, while deposits grew by 20.3 percent. From June 30, 1998 through June 30, 1999, the bank's loan portfolio increased by 13.9 percent, while deposits grew by 10.2 percent. Management attributes this increase in loans to low interest rates, marketing efforts, and also efforts by the bank's Community Development Officer who has

developed relationships with local realtors, government officials, and the local multi-cultural counseling agency, thereby marketing the bank's services and products as related to home mortgage financing.

The following table provides a comparison of loan-to-deposit ratios of other community banks located within the assessment area. These ratios are taken from Call Report figures as of March 31, 1999. These financial institutions range in asset size from \$70.1 million to \$298.7 million, and are considered to be Marlborough Savings Bank's main competition.

<b>COMPARATIVE NET LOAN TO TOTAL DEPOSIT RATIOS*</b>		
<b>Institution</b>	<b>Total Assets \$(000)</b>	<b>Net Loan to Total Deposit Ratios (%)</b>
Hudson Savings Bank	288,882	92.9
Marlborough Co-operative Bank	70,100	88.3
<b>Marlborough Savings Bank</b>	<b>178,855</b>	<b>72.8</b>
Community National Bank	298,722	59.6
St. Mary's Credit Union	257,397	58.2

\*As of March 31, 1999

As indicated, Marlborough Savings Bank's net loan-to-deposit ratio of 72.8 percent is in line with that of other financial institutions operating within the bank's assessment area.

Given the bank's capacity to lend and the credit needs of its assessment area, the bank's performance under this criterion is considered reasonable.

## **2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA**

Based upon the following data, an adequate percentage of loans were made in Marlborough Savings Bank's assessment area. Thus, this criterion is rated "Meet Standards for Satisfactory Performance".

A review of Marlborough Savings Bank's HMDA reportable lending for the period under review (January 1, 1998 through August 19, 1999) was conducted. A HMDA reportable loan is defined as home purchase loans (including originations, purchases, and refinances) as well as home improvement loans. This information was used to determine the institution's level of lending inside the assessment area, in comparison to the level of lending outside the assessment area. Both the bank's HMDA data and LAR revealed the bank originated a total of 500 HMDA reportable loans during this period. Of this number 367 loans totaling \$44,689,000 were originated within its assessment area, and 133 loans totaling \$20,764,000 were originated outside the assessment area.

The number and dollar amount of HMDA related loan originations in each of the communities within the assessment area are reflected in the tables below.

RESIDENTIAL LOANS ORIGINATED BY NUMBER						
LOCATION	1998		YTD 1999*		TOTAL	
	#	%	#	%	#	%
Marlborough	145	39.0	55	43.0	200	40.0
Hudson	40	10.7	20	15.6	60	12.0
Southborough	48	12.9	10	7.8	58	11.6
Northborough	35	9.4	14	10.9	49	9.8
<b>INSIDE ASSESSMENT AREA</b>	268	72.0	99	77.3	367	73.4
<b>OUTSIDE ASSESSMENT AREA</b>	104	28.0	29	22.7	133	26.6
<b>TOTALS</b>	<b>372</b>	<b>100.0</b>	<b>128</b>	<b>100.0</b>	<b>500</b>	<b>100.0</b>

Source: HMDA/LAR 1998

\* Through August 19, 1999

RESIDENTIAL LOANS ORIGINATED BY DOLLAR AMOUNT						
LOCATION	1998		YTD 1999*		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%
Marlborough	15,589	31.3	5,605	35.8	21,194	32.4
Hudson	4,893	9.8	2,000	12.8	6,893	10.5
Southborough	7,842	15.7	1,427	9.1	9,269	14.2
Northborough	5,361	10.8	1,972	12.6	7,333	11.2
<b>INSIDE ASSESSMENT AREA</b>	33,685	67.6	11,004	70.3	44,689	68.3
<b>OUTSIDE ASSESSMENT AREA</b>	16,114	32.4	4,650	29.7	20,764	31.7
<b>TOTALS</b>	<b>49,799</b>	<b>100.0</b>	<b>15,654</b>	<b>100.0</b>	<b>65,453</b>	<b>100.0</b>

Source: HMDA/LAR 1998

\* Through August 19, 1999

The above tables indicate that 73.4 percent of the number and 68.3 percent of the dollar amount of residential and home improvement mortgage originations were inside the assessment area.

Further analysis shows an increase in the bank's total HMDA reportable lending in 1998 as compared to 1997. In fact, in 1998, Marlborough Savings Bank's level of HMDA reportable lending grew 169.6 percent by number, and 215.6 percent by dollar volume. Within its assessment area, the bank's level of lending grew by 162.7 percent of the number, and 218.8 percent of the dollar volume.

The bank also offers home equity lines of credit (HELOC). According to an internal bank report, 79.0 percent of HELOC originated in 1998, and 88.0 percent originated year-to-date 1999 were within the assessment area.

In light of this analysis, Marlborough Savings Bank's level of lending within its assessment area is considered reasonable.

### 3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS



The following information reflects Marlborough Savings Bank's performance in reaching those individuals of different income levels specifically those of low and moderate-income, within its assessment area. Based upon the subsequent analysis, the bank's distribution of credit among different income levels within its assessment area is considered strong. Therefore, an "Exceed Standards for Satisfactory Performance" rating is assigned.

An analysis of the Home Mortgage Disclosure Act (HMDA) reportable loan originations extended within the institution's assessment area during the period under review, among various income levels, was conducted. Originations were categorized by the ratio of the applicant's reported income to the 1998 and 1999 median family incomes of the Boston MSA, and the Worcester MSA. (Refer to the Performance Context section of this Public Evaluation).

Income levels are defined by the US Census Bureau as follows. Low-income is defined as income below 50 percent of the median family income level for the MSA; moderate-income is defined as 50 to 79 percent of the median family income; middle-income is defined as income between 80 and 119 percent of the median family income; and upper-income is defined as income greater than 120 percent of the median family income. The following table details the performance of the institution relating to lending to borrowers of different income levels.

<b>LOAN ORIGINATIONS BY BORROWER INCOME (NUMBER)</b>						
<b>% OF MEDIAN MSA INCOME</b>	<b>1998</b>		<b>YTD 1999*</b>		<b>TOTAL</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
< 50%	13	4.8	5	5.0	18	4.9
50%-79%	48	17.9	24	24.2	72	19.6
80%-119%	78	29.1	35	35.4	113	30.8
> 120%	128	47.8	35	35.4	163	44.4
NA	1	0.4	0	0.0	1	0.3
<b>TOTALS</b>	<b>268</b>	<b>100.0</b>	<b>99</b>	<b>100.0</b>	<b>367</b>	<b>100.0</b>

Source: HMDA/LAR 1998

\* Through August 19, 1999

<b>LOAN ORIGINATIONS BY BORROWER INCOME (DOLLAR AMOUNT)</b>						
<b>% OF MEDIAN MSA INCOME</b>	<b>1998</b>		<b>YTD 1999*</b>		<b>TOTAL</b>	
	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>
< 50%	761	2.3	286	2.6	1,047	2.3
50%-79%	3,750	11.1	1,832	16.6	5,582	12.5
80%-119%	8,729	25.9	3,786	34.4	12,515	28.0
> 120%	20,407	60.6	5,100	46.4	25,507	57.1
NA	38	0.1	0	0.0	38	0.1
<b>TOTALS</b>	<b>33,685</b>	<b>100.0</b>	<b>11,004</b>	<b>100.0</b>	<b>44,689</b>	<b>100.0</b>

Source: HMDA/LAR 1998

\* Through August 19, 1999

During the period under review, 24.5 percent of the number of HMDA reportable loans, and 14.8 percent of the dollar amount were extended to low and moderate-income borrowers within the assessment area. This level of originations denotes the institution's continuous efforts to extend loans in this area.

A comparative analysis of Marlborough Savings Bank's 1997 HMDA reportable lending to that of other HMDA reporters within the assessment area was conducted. At the time of this examination, 1997 was the most recent year for which aggregate comparative data was available. The table below provides comparative aggregate data (excluding Marlborough Savings Bank) of HMDA reportable lending to borrowers of various income levels in its assessment area. Also included in the following table is the number and percentage of total families (per 1990 census data) within each of the median family income groupings.

<b>COMPARISON OF LOAN ORIGINATIONS BY BORROWER'S INCOME LEVEL*</b>										
<b>% OF MEDIAN MSA INCOME</b>	<b>1997 BANK PERFORMANCE</b>				<b>1997 AGGREGATE DATA</b>				<b>TOTAL FAMILIES</b>	
	<b>#</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>#</b>	<b>%</b>
<50%	6	5.9	222	2.1	113	3.8	6,646	1.5	2,429	13.6
50 – 79%	22	21.5	1,668	15.8	381	12.7	31,307	7.2	2,854	15.9
80 – 119%	37	36.3	4,028	38.1	665	22.1	72,984	16.7	4,191	23.4
>120	37	36.3	4,647	44.0	1,380	45.9	244,356	56.0	8,427	47.1
NA	0	0.0	0	0.0	467	15.5	80,827	18.6	0	0.0
<b>TOTAL</b>	<b>102</b>	<b>100.0</b>	<b>10,565</b>	<b>100.0</b>	<b>3,006</b>	<b>100.0</b>	<b>436,120</b>	<b>100.0</b>	<b>17,901</b>	<b>100.0</b>

\*Source: PCI Services, Inc., CRA Wiz Software.

As shown in the above table, 29.5 percent of families constitute the low and moderate-income category. Marlborough Savings Bank originated 27.4 percent of its mortgage loans to low and moderate-income borrowers in 1997, while aggregate data for all other lenders within the assessment area reveals that 16.5 percent of all originations were to individuals of this income group. Also, loans to low and moderate-income individuals in year-to-date 1999 at 29.2 percent have exceeded that of 1998 at 22.7 percent, and thus show an upward trend in loan activities in this income group. This comparison suggests that the bank has seized on existing opportunities to extend loans to individuals of different income level within the assessment area, despite the fact that there are no low-income census tracts.

Given the level of lending by the bank and all other financial institutions to borrowers of different incomes in the assessment area, an "Exceed the Standards for Satisfactory Performance" is assigned to this criterion.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

The geographic distribution of residential loans in the census tracts within the assessment area indicates that Marlborough Savings Bank “Meets the Standards for Satisfactory Performance”.

An analysis of HMDA reportable loans extended within the various census tracts was conducted during the examination. The bank's assessment area is comprised of 14 census tracts (refer to the performance context), and does not contain any low-income census tracts.

During the period under review, the bank originated 6.5 percent (by number) of its HMDA reportable loans within its assessment area in the moderate-income census tract; 41.7 percent in middle-income census tracts; and 51.8 percent in upper-income census tracts.

The tables below offer more information on the geographic distribution of the bank's residential mortgage loans within its assessment area.

<b>RESIDENTIAL LOAN DISTRIBUTION BY CENSUS TRACT (BY NUMBER)</b>								
<b>Census Tract Income Category</b>	<b>1-4 Owner- Occupied Properties</b>		<b>1998</b>		<b>YTD 1999*</b>		<b>TOTAL</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Moderate	2,836	6.6	18	6.7	6	6.1	24	6.5
Middle	12,601	43.4	111	41.4	42	42.4	153	41.7
Upper	10,794	50.0	139	51.9	51	51.5	190	51.8
<b>TOTAL</b>	<b>26,231</b>	<b>100.0</b>	<b>268</b>	<b>100.0</b>	<b>99</b>	<b>100.0</b>	<b>367</b>	<b>100.0</b>

Source: HMDA 1998

\* Through August 19, 1999

<b>RESIDENTIAL LOAN DISTRIBUTION BY CENSUS TRACT (BY DOLLAR)</b>								
<b>Census Tract Income Category</b>	<b>1-4 Owner- Occupied Properties</b>		<b>1998</b>		<b>YTD 1999*</b>		<b>TOTAL</b>	
	<b>#</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>
Moderate	2,836	6.6	2,303	6.8	615	5.6	2,918	6.5
Middle	12,601	43.4	11,884	35.3	4,182	38.0	16,066	36.0
Upper	10,794	50.0	19,498	57.9	6,207	56.4	25,705	57.5
<b>TOTAL</b>	<b>26,231</b>	<b>100.0</b>	<b>33,685</b>	<b>100.0</b>	<b>11,004</b>	<b>100.0</b>	<b>44,689</b>	<b>100.0</b>

Source: HMDA 1998

\* Through August 19, 1999

As the tables illustrate, Marlborough Savings Bank's residential lending patterns conform reasonably to the distribution of 1-4 family owner occupied dwellings among census tracts

of various income levels. For example, the 6.6% of owner-occupied properties in the moderate-income census tract parallels the 6.5% of loans granted in this geography. This is an indication of the institution's willingness to address the credit needs of its delineated assessment area based on the geographic distribution of loans.

The following table provides a comparison of the bank's geographic distribution for 1997 to the aggregate performance levels for all other HMDA reporting lenders.

<b>COMPARISON OF RESIDENTIAL LOAN DISTRIBUTION BY CENSUS TRACT</b>								
<b>Census Tract Income Category</b>	<b>1997 BANK</b>				<b>1997 AGGREGATE</b>			
	<b>Number of Loans</b>		<b>Dollar Amount</b>		<b>Number of Loans</b>		<b>Dollar Amount</b>	
	<b>#</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$(000)</b>	<b>%</b>
Moderate	5	4.9	541	5.1	253	8.4	32,258	7.4
Middle	50	49.0	5,029	47.6	1,054	35.1	122,193	28.0
Upper	47	46.1	4,995	47.3	1,698	56.5	281,019	64.4
NA	0	0.0	0	0.0	1	0.0	650	0.2
<b>Total</b>	<b>102</b>	<b>100.0</b>	<b>10,565</b>	<b>100.0</b>	<b>3,006</b>	<b>100.0</b>	<b>436,120</b>	<b>100.0</b>

Source: CRA Wiz

The bank's geographic distribution of residential loans for 1997 compares reasonably to that of all other HMDA reporters within the assessment area. The bank's lending in the middle-income census tracts was above the aggregate level. Lending in the moderate-income census tract (4.9%), however, falls below that of the aggregate (8.4%).

An improvement of Marlborough Savings Bank's geographic distribution of loans in 1998 is also noticeable. In fact the institution attracted more applicants from within the moderate-income (6.7%) and upper-income (51.9%) geographies resulting in a greater distribution of lending within these tracts.

Based on the above analysis, Marlborough Savings Bank's performance in its geographic distribution of residential loans is considered adequate.

## **5. REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES**

### **Review of Complaints**

Marlborough Savings Bank has not received complaints from any residents within its assessment area regarding its CRA performance for the period under review.

### **Fair Lending Policies and Practices**

Marlborough Savings Bank has a satisfactory record of implementing fair lending policies and practices. The following discussions of the institution's fair lending practices are based on guidelines established by the Division of Banks Regulatory Bulletin 2.3-101.

## **Staff Training**

On February 12, 1998, a Marlborough Savings Bank Loan Origination Supervisor attended a HMDA Reporting Seminar co-sponsored by The Massachusetts Mortgage Bankers Association and The Community Bank League of New England. Fair Lending was one of the topics addressed. In addition, ongoing internal training is provided to Customer Service Representatives, Branch Managers, and all lending personnel. Subjects include, but are not limited to, reviews of pertinent State and Federal regulations, loan policies and procedures, fair lending issues, and customer service topics.

## **Staff Composition and Compensation**

Marlborough Savings Bank employs 47 full-time and 12 part-time individuals. The bank strives to maintain a staff representative of the diverse ethnic and minority populations within its assessment area. There are employees who are bilingual in Spanish, Portuguese, Hindu, and Philippine.

Loan officers are paid on a salary basis and are therefore encouraged to make loans of all dollar amounts.

## **Outreach**

Marlborough Savings Bank's management is involved with a full range of individuals and groups representing civic, neighborhood, small business and community development groups. Meaningful and ongoing relationships are maintained with a variety of community organizations in order to determine the credit needs of the bank's assessment area. These organizations include, but are not limited to, the following: the Marlborough Rotary Club; the Marlborough Chamber of Commerce and its Cross-Cultural Business Committee; the Marlborough Lions Club; and Homeowners Options for Massachusetts Elders (HOME). In addition, Marlborough Savings Bank continues to employ a Community Development Officer to concentrate on community outreach. This individual maintains meaningful contacts with local realtors, government officials, and the Cultural Network Center, a local multi-cultural counseling center.

## **Credit Products and Underwriting Standards**

Marlborough Savings Bank evaluates both the products it offers and its product mix on an ongoing basis. This analysis is conducted to help determine whether the bank is offering competitive products and whether those products are responsive to the needs of its assessment area. Loan underwriting standards are reviewed to determine whether they are excluding low and moderate-income individuals from qualifying for a loan.

Marlborough Savings Bank offers three first time homebuyer products, all of which have a 5 percent downpayment requirement and are offered with no points. One product features a 5/1 Adjustable Rate Mortgage (ARM), another offers a 30 year fixed rate, and the last offers a 3/1 ARM. All three products are offered at a lower rate, with lower closing costs. Participation in any of the three programs is limited to individuals whose income is no more than 130 percent of the median family income within the bank's assessment area. In 1998,

Marlborough Savings Bank originated 35 loans totaling \$4,071,465 under these programs. Through September 7, 1999, 38 loans totaling \$4,166,395 have been originated.

Marlborough Savings Bank offers reverse mortgage products in conjunction with the Homeowners Options for Massachusetts Elders (HOME) program. These products are tailored to allow low-income elderly residents to remain in their homes by utilizing built-up equity value to borrow for additional income, medical, or a related need. In addition, Marlborough Savings Bank offers Senior Home Equity Lines of Credit (SELOC) also a program of HOME. After initial counseling, a SELOC loan is established based upon the financial needs of the borrower, generally from \$5,000 to \$15,000. At the end of the term of the loan, repayment can come from the sale of the property, or the loan can be converted to a term reverse mortgage. No loans were granted under these programs in 1998 or year to date 1999.

The bank offers a Mobile Home Loan Program that features no points and no application fee. Borrower costs incurred are an appraisal fee and a UCC filing fee. In addition, Marlborough Savings Bank's Mobile Home loans can be written for up to 15 years instead of the usual 10-12 year amortizing basis. In 1998, the bank originated 10 loans totaling \$311,000 and through July 31, 1999 originated 14 loans totaling \$463,000 under this program.

Marlborough Savings Bank also offers FHA/VA real estate mortgages through a correspondent bank lending arrangement with Peoples Mortgage Corporation of Brockton. During the previous 24 months, Marlborough Savings Bank originated 9 loans totaling \$1,021,000.

In June 1999, the bank was approved by the Massachusetts Housing Finance Agency (MHFA) to be a participating lender in MHFA's Homeowner Septic Repair Loan Program for below market rate loans for the repair of a failed septic system under the Commonwealth's Title 5 requirements.

On July 1, 1999, Marlborough Savings Bank began to offer 24-hour toll free service for its consumer loan products. Entitled "24 Hr. Loan Line", it provides customer consultation, quotations of payment and terms, and complete application processing over the phone, 24 hours a day, seven days a week. The bank has contracted Lending Solutions Inc., (LSI) in Illinois to provide this service. LSI takes the application information and runs a credit report. That information is immediately dispatched to Marlborough Savings Bank via phone lines. The bank makes the credit decision and responds to the customer within 24-hours. It is planned to make Marlborough Savings Bank's mortgage products available through this service by year-end 1999.

## **Marketing**

Marlborough Savings Bank's advertisements appear to reach all segments of the assessment area. The bank utilizes newspaper advertising, statement stuffers, direct mail, and lobby advertising. The bank advertises regularly in daily and weekly newspapers serving its assessment area including, The Worcester Business Journal, The Middlesex News, The Marlborough Enterprise, The Sudbury Town Crier and TAB

Newspapers, The Homesteader (Metro West edition), Southborough Villager, Main Street Journal, Action Unlimited, The Community Advocate, Northborough Profile, The Hudson Sun, MetroWest Daily News, and the Home Buyers' Guide. Also, the bank advertises in Directorio Latino, the Spanish directory covering Central Massachusetts and Metro West.

In addition, Marlborough Savings Bank has fliers available to the public that describe its mortgage and consumer loan products as well as the minimum requirements necessary in order to establish a checking, savings, and/or Certificate of Deposit account. These fliers are available in English, Spanish, and Portuguese.

### **Credit Education**

On March 8, 1998 and again on March 10, 1999, Marlborough Savings Bank presented a first time homebuyer seminar in co-operation with the Assabet Valley Regional Vocational School who provided its Epicurean Room to hold the seminar. The 1998 seminar had 24 attendees and the 1999 seminar had 42 attendees. The bank provided four speakers. Topics discussed included down payment requirements, how to look for a home, and the loan application process. Additional speakers included a representative from Certified Home Inspection Corporation, a local appraiser, and a local attorney. Materials were distributed to attendees that explained the important steps needed to be addressed during the home buying process, and items that can be used as a tool to assist buyers in finding and purchasing a home. Marlborough Savings Bank also offered a free credit report, with the assistance of Credit Data of New England, for any interested parties. The bank plans on holding its next seminar on October 6, 1999.

Also in 1998 and 1999, Marlborough Savings Bank personnel participated in the Nashoba Valley Home Show.

### **Counseling**

The bank's loan servicing employees provide counseling to borrowers in need of assistance. In addition, all applicable bank disclosures refer customers in need of credit assistance to an appropriate HUD-approved credit counseling service.

Marlborough Savings Bank also works closely with the Cultural Network Center in counseling individuals on opening and maintaining deposit/savings accounts.

### **Second Review Practices**

Marlborough Savings Bank maintains a "second look" procedure whereby each loan that is denied is reviewed by an additional bank officer in an attempt to eliminate any personal bias. The results of these reviews indicated that loan decisions were made on a consistent basis.

As part of this examination, a review of the bank's denied HMDA reportable loans revealed evidence of the appropriate Mortgage Review Notice being issued.

## Internal Control Procedures

In addition to its “second look” procedures, Marlborough Savings Bank also prepares an annual report to its Board of Trustees that reflects an analysis of its mortgage lending distribution. The bank uses reports prepared by BankMaps, Inc., to analyze the geographic, racial, gender, and income dispersion of its HMDA reportable lending within its assessment area. Also, comparisons are made between approved, denied, and withdrawn loans by race, gender, and income. This analysis is subsequently reported to the board. Further, Marlborough Savings Bank utilizes the reports prepared by BankMaps, Inc., to gauge its performance in comparison to all other lenders in its assessment area.

## Minority Application Flow

The Division also reviewed the number of HMDA reportable applications received from minority applicants. For calendar year 1998 and the period from January 1 through August 19, 1999, Marlborough Savings Bank received 428 HMDA reportable loan applications from within its assessment area. A total of 28 minority loan applications were received representing 6.5 percent of the total applications received for the period reviewed. As of the 1990 census, the bank's assessment area population by racial composition was White, 94.1%; Native American, 0.1%; Asian, 2.1%; Black, 1.3%; Hispanic, 2.4% and Other, 0.0%.

Applications received from minority individuals are depicted in the table below. Also included within the table is both the 1997 minority application flow aggregate data for all HMDA reportable lenders (exclusive of Marlborough Savings Bank) as well as the bank's actual 1997 minority application performance.

MINORITY APPLICATION FLOW*								
RACE	AGGREGATE 1997 DATA		BANK 1997		BANK 1998		BANK 1999**	
	#	%	#	%	#	%	#	%
<i>Native American</i>	9	0.2	2	1.5	0	0.0	0	
<i>Asian</i>	86	2.2	4	3.2	9	2.9	6	4.9
<i>African American</i>	41	1.1	2	1.5	0	0.0	2	1.7
<i>Hispanic</i>	41	1.1	1	0.8	2	0.6	2	1.7
<i>Other</i>	64	1.6	2	1.5	2	0.6	1	0.8
<i>Joint Race</i>	--	--	--	--	4	1.4	--	--
<b>TOTAL MINORITY</b>	<b>241</b>	<b>6.2</b>	<b>11</b>	<b>8.5</b>	<b>17</b>	<b>5.5</b>	<b>11</b>	<b>9.1</b>
<i>White</i>	2,817	72.4	117	90.7	286	93.1	107	88.4
<i>NA</i>	833	21.4	1	0.8	4	1.4	3	2.5
<b>TOTAL</b>	<b>3,891</b>	<b>100.0</b>	<b>129</b>	<b>100.0</b>	<b>307</b>	<b>100.0</b>	<b>121</b>	<b>100.0</b>

\*Source: PCI Services, Inc., CRA Wiz Software.



\*\* Through August 19, 1999.

Given the demographics of its assessment area, Marlborough Savings Bank's` level of minority applications is considered reasonable.

# THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

## MARLBOROUGH SAVINGS BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **AUGUST 19, 1999**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.